



INTER-OFFICE MEMORANDUM

**TO:** Anthony Nicks, Director of Internal Audit  
**FROM:** Herman Hicks, Assistant Audit Manager  
**DATE:** March 15, 2012  
**SUBJECT:** GMH 3<sup>rd</sup> Quarter 2011 Compliance Report

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Background

Grady Memorial Hospital (GMH) is authorized under the direction of the Fulton-DeKalb Hospital Authority and by the amended Memorandum of Understanding (MOU) dated November 4, 2009 to provide medical services to those citizens classified as indigent and charity patients as stipulated in Section 2, Item #1, Certification of Need of the MOU. GMH is obligated to deliver medical services in compliance with the standards of care established by the Joint Commission's Hospital Accreditation Standards and the Center for Medicare and Medicaid Services Guidelines.

We have reviewed the Fulton County Indigent Care Analysis Report received from Grady Memorial Hospital for patients receiving health care services, during the third quarter of 2011. The report disclosed the following statistics for indigent and charity patients served:

<b>Patient Type</b>	<b>Number Served</b>	<b>Total Charges</b>	<b>Total Cost</b>	<b>Payment Received</b>	<b>Uncompensated *Cost</b>
<b>Indigent</b>	<b>44,402</b>	<b>\$57,943,718</b>	<b>\$19,059,981</b>	<b>\$614,404</b>	<b>\$18,445,577</b>
<b>Charity</b>	<b>8,375</b>	<b>\$10,091,196</b>	<b>\$3,359,046</b>	<b>\$180,661</b>	<b>\$3,178,385</b>

\* Uncompensated Cost before ITCF and Grant Payments

We also reviewed a sample of 300 patients' files from a population of 52,777 of Grady Memorial Hospital patients' accounts for the third quarter of 2011. The files were selected using a statistical model which is designed to provide a representative sample of the total population. The sample selection model provides a 95% confidence level of our audit results. The purpose of our review was to provide assurance that the uncompensated health care cost for the second quarter was the direct result of services delivered to Fulton County citizens, eligible to receive indigent and charitable health care services.

Our review focused on the eligibility of the patients as defined in the MOU. Per the MOU, patients are considered eligible if they meet both the income and residency requirements explained as follows:

**Income**

The income requirements state that patients fall into two categories. (1) Those patients whose individual or family income is less than 251% of the Federal Poverty Limit Guidelines are eligible to receive services based on a sliding fee scale basis. (2) Those patients whose income falls at or below 126% of the Federal Poverty Limit Guidelines are eligible to receive a 100% discount.

**Residency**

The residency requirements state that a patient must have been a resident of Fulton County for at least 30 days at the time services were provided. In determining residency, the hospital has implemented several policies and procedures that the staff should follow prior to providing services. These policies are detailed under Grady Health System Operational Policy, Verification of Residency and Grady Health System-Financial Assistance Program/ Financial Eligibility Scale. The policies and procedures regarding verification of residency remain on file in the Internal Audit office.

As a result of our review, we found exceptions to GMH eligibility and documentation policies and procedures. The exceptions are classified as income, residency, or documentation. Documentation exceptions are those resulting from insufficient proof of the patient’s identity, earnings, or charges. The overall results are summarized below.

Exceptions Summarized by Month	July	August	September	Total
Residency and income exceptions	5	1	-	6
Income exception	-	-	1	1
Identification exceptions	3	6	-	9
Encounter form charge exceptions	1	1	-	2
<b>Total</b>	<b>9</b>	<b>8</b>	<b>1</b>	<b>18</b>

**Patient records containing residency and income eligibility exceptions:**

- There were seven patients’ records which contained insufficient documentation to verify income eligibility and six records with insufficient documentation to verify residency eligibility.

These exceptions indicate noncompliance with GHS Operational Policy – Verification of Residency Revised – 08/02/09 and MOU May 2009 and GHS Operational Policy – Financial Counseling Revised 08/03/09.

**Patients' identification documentation not included in the files:**

- There were nine patient files which did not contain patient identification documentation.

**Encounter forms reviewed with discrepancies:**

- The related CPT code charges did not equal to the charges listed on the Charge/Cost report.

In our sample of 300 patients, 38 patients were eligible for Medicare A&B coverage; 19 patients were eligible for both Medicaid and Medicare; 78 patients were eligible for Medicaid only benefits; and 10 patients were covered by some other form of insurance. The charges/cost incurred by the patients eligible for Medicare and Medicaid coverage represent uncompensated care costs, which are partially reimbursed, leaving balances which are eventually written-off.. Fulton County's funding obligation should be reduced by the balances written-off and by the reimbursements received by the Grady Memorial Hospital System.

The scope of our review is limited to the review of patients classified as indigent (K) and charitable (M). This report is intended solely for the use of Fulton County, The Georgia Board of Commissioners and the Management of Fulton County. Future preparation and distribution of this report will be on an annual basis, from October 1, 2011 to September 30, 2012.